

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASES 2003-00030 & 2000-00079
FIRST INFORMATION REQUEST RESPONSE
PUBLIC SERVICE COMMISSION'S REQUEST
DATED JULY 17, 2003

FILED 7/28/03



EAST KENTUCKY POWER COOPERATIVE

RECEIVED

JUL 28 2003

PUBLIC SERVICE
COMMISSION

July 28, 2003

HAND DELIVERED

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: Case No. 2003-00030
Case No. 2000-00079

Dear Mr. Dorman:

Please find enclosed for filing with the Commission in the above-referenced cases an original and five copies of the responses of East Kentucky Power Cooperative, Inc. to the Information Requests of the Commission Staff and the Attorney General dated July 17, 2003.

Very truly yours,

Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Parties of Record

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**AN INVESTIGATION OF EAST KENTUCKY
POWER COOPERATIVE, INC.'S NEED
FOR THE GILBERT UNIT AND THE
KENTUCKY PIONEER ENERGY, LLC
PURCHASE POWER AGREEMENT**

)
)
) **CASE NO. 2003-00030**
)
)

**THE APPLICATION OF EAST KENTUCKY
POWER COOPERATIVE, INC. FOR
APPROVAL TO PURCHASE POWER
AGREEMENT**

)
) **CASE NO. 2000-00079**
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)

**RESPONSES OF EAST KENTUCKY POWER COOPERATIVE, INC.
TO STAFF DATA REQUESTS DATED JULY 17, 2003**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2003-00030/ 2000-00079

INFORMATION REQUEST RESPONSE

**PUBLIC SERVICE COMMISSION DATA REQUEST DATED JULY 17, 2003
REQUEST NO. 1**

RESPONDING PERSON: Dave Drake

Request 1: Does East Kentucky have any employees qualified to review and analyze the technical feasibility of the gasification process, utilizing coal and refuse-derived fuel, proposed by the Kentucky Pioneer Project? If yes,

Request 1a: Provide their names and qualifications.

Response 1a: East Kentucky does not possess the expertise to analyze the techno-economic feasibility of the BGL gasification process utilizing coal and refuse-derived fuel proposed by Kentucky Pioneer Energy.

Request 1b: Explain in detail why in 2002 East Kentucky hired a consultant to analyze the technology proposed to be utilized by the Kentucky Pioneer Project rather than having such review done by the employees.

Response 1b: As explained above, East Kentucky does not possess the expertise to analyze the techno-economic feasibility of Kentucky Pioneer Energy's proposed deployment of the BGL gasification process. East Kentucky employed an expert only to

determine that there were no insurmountable barriers to the deployment of the technology.

Request 1c: Provide a detailed explanation of why East Kentucky's employees did not file testimony in this case to discuss whether additional development work, is required to enable the gasification technology to be applied in the manner envisioned by the Kentucky Pioneer Project.

Response 1c: East Kentucky was not aware of development work done with BGL technology since its consultant's report, and asked KPE to provide the development work status report on the technology which was attached to the Prepared Testimony of David D. Drake, which was filed in this case on July 7, 2003.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2003-00030/ 2000-00079

INFORMATION REQUEST RESPONSE

**PUBLIC SERVICE COMMISSION DATA REQUEST DATED JULY 17, 2003
REQUEST NO. 2**

RESPONDING PERSON: Dave Drake

Request 2: Describe in detail the substance of all meetings, discussions, reports, or conversations since June 2002 between East Kentucky and Kentucky Pioneer that related to the June 2002 conclusions of East Kentucky's consultant.

Response 2: Upon receipt of the PSC's June 17, 2003 data request, a representative of East Kentucky met with two representatives of Kentucky Pioneer Energy to request the development work update supplied in response to the data request. Prior to that time, East Kentucky and KPE had not met or corresponded for the purpose of discussing the consultant's conclusions.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2003-00030/ 2000-00079

INFORMATION REQUEST RESPONSE

**PUBLIC SERVICE COMMISSION DATA REQUEST DATED JULY 17, 2003
REQUEST NO. 3**

RESPONDING PERSON: Dave Drake

Request 3: Has East Kentucky's consultant issued any further report or conclusions since June 2002 on the gasification technology to be utilized by the Kentucky Pioneer Project?

If yes, provide copies.

Response 3: East Kentucky's consultant has not issued any further report or conclusions since June 2002 on the BGL gasification technology to be used by Kentucky Pioneer Energy.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2003-00030/ 2000-00079

INFORMATION REQUEST RESPONSE

**PUBLIC SERVICE COMMISSION DATA REQUEST DATED JULY 17, 2003
REQUEST NO. 4**

RESPONDING PERSON: Dave Drake

Request 4: Does East Kentucky's consultant now agree that no additional development work is required to enable the gasification technology to be applied in the manner envisioned by the Kentucky Pioneer Project? If no, explain in detail why East Kentucky's consultant does not agree and why East Kentucky continues to pursue a project that requires additional development work to be commercially feasible.

Response 4: East Kentucky has not requested additional analysis or opinion from the consultant. East Kentucky has continued to discuss the project with KPE on the understanding that an extensive engineering and economic analysis of the project must be prepared by an independent engineering consulting firm prior to any financial closure of the project.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2003-00030/ 2000-00079

INFORMATION REQUEST RESPONSE

**PUBLIC SERVICE COMMISSION DATA REQUEST DATED JULY 17, 2003
REQUEST NO. 5**

RESPONDING PERSON: Dave Eames

Request 5: Refer to the testimony of David Eames. At page 2, lines 1-4, reference is made to Exhibit I to the testimony and to "KPE beginning operation in 2008." Exhibit I to the testimony also reflects KPE being included in 2008. At page 3, line 18, reference is made to "a KPE start-up in mid-2006."

Request 5a: What is East Kentucky's current estimated start-up date for the Kentucky Pioneer Project?

Response 5a: East Kentucky does not have an estimated start-up date for the KPE project. Start-up is expected to be approximately 36 months or so from the date of financial closure, which is unknown at this time.

Request 5b: If other than mid-2006, file a revised response to Staff Information Request Item No. 7, originally filed on February 13, 2003, reflecting the later start-up date.

Response 5b: The "mid-2006" date was an assumption that the commission staff requested to be used as part of Request 7, the response to which was filed February 13, 2003. The testimony referring to KPE being included in 2008 reflects a more realistic expectation for KPE to complete the regulatory process, obtain financial closure, and

construct the plant. The updated table below, “EKPC Estimated Excess Baseload Capacity”, reflects KPE availability in 2008, with other assumptions remaining the same.

EKPC Estimated Excess Baseload Capacity										
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess Baseload	400	400	300	300	200	150	100	50	0	0

Excess Baseload Capacity, as referred to in the table above, means that EKPC’s resource mix with KPE is weighted more toward baseload resources than the optimal resource mix. The total capacity with KPE included in 2008 and no long term sales produces a surplus of capacity over load requirements (including reserves) only in 2008 and summer 2009.

Request 5c: If mid-2006 remains the estimated start-up date for the Kentucky Pioneer Project, provide a revised Exhibit I, based on the mid-2006 start-up date.

Response 5c: (No response required.)

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2003-00030/ 2000-00079

INFORMATION REQUEST RESPONSE

**PUBLIC SERVICE COMMISSION DATA REQUEST DATED JULY 17, 2003
REQUEST NO. 6**

RESPONDING PERSON: Dave Eames

Request 6: Provide copies of any minutes of East Kentucky's Board of Directors meetings since August 13, 2002, which contain a reference to the Kentucky Pioneer Project, the gasification technology to be utilized therein, or the related purchase power agreement.

Response 6: See the following excerpts of EKPC Board Meeting Minutes of:

August 13, 2002
September 10, 2002
December 3, 2002
February 11, 2003
March 11, 2003
April 8, 2003

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING**

AUGUST 13, 2002

FUEL & POWER SUPPLY ("F&P") COMMITTEE ACTION ITEMS

Kentucky Pioneer Energy Power Purchase Agreement—Termination

After review and discussion of the applicable information, a motion was made by A. L. Rosenberger, seconded by Sam Penn, and, there being no further discussion, passed to approve the following:

Whereas, East Kentucky Power Cooperative (EKPC) and Kentucky Pioneer Energy (KPE) executed power purchase and site lease agreements in January 1999 which obligated KPE to construct and operate an integrated gasification combined cycle power plant at the J. K. Smith and further obligated EKPC to purchase the power from said facility;

Whereas, The Power Purchase Agreement, as subsequently amended, required KPE to obtain financial closure by June 30, 2001;

Whereas, KPE did not obtain financial closure by June 30, 2001, and has not been able to do so to date;

Whereas, EKPC has employed a consultant to evaluate the state of development of the gasification technology, using coal and refuse derived fuel, that is to be applied by the project;

Whereas, The consultant has concluded that additional development work is required to enable the technology to be applied in the manner envisioned by the project;

Whereas, Management and the Fuel and Power Supply Committee have concluded that the continuing uncertainty surrounding this project makes it imprudent at this time to rely on it in future resource expansion plans; and

Whereas, Management and the Fuel and Power Supply Committee recommend that the Board of Directors authorize termination of the Power Purchase Agreement with KPE; now, therefore be it

Resolved, That the Board hereby authorizes the President and Chief Executive Officer to issue a project termination notice to KPE as provided in section 9.4 of the Power Purchase Agreement executed on January 14, 1999, and amended on each of the following dates: September 28, 1999, July 26, 2000, and September 28, 2000; and

Resolved, That EKPC continue to explore and utilize newer techniques to produce electricity from coal.

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING**

SEPTEMBER 10, 2002

REPORT OF THE OFFICERS –

Report of the President and Chief Executive Officer

Kentucky Pioneer Energy (“KPE”) Update – EKPC has mailed its 60-day cancellation notice letter. A letter has been received from KPE to which EKPC will respond. Later, discussion was held among management and the Board.

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING**

DECEMBER 3, 2002

REPORT OF THE OFFICERS –

Report of the President and Chief Executive Officer

Kentucky Pioneer Energy/Global Update – KPE/Global has filed an application with the siting board to obtain approval to build the plan. EKPC's contract is still in place. We still have plans to issue their letter if they can't reach financial closure by January 31.

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING**

FEBRUARY 11, 2003

REPORT OF THE OFFICERS

Report of the President and Chief Executive Officer

Kentucky Pioneer Energy ("KPE") – Mr. Palk reminded the Board that the overall KPE process is now being governed under a new Kentucky law under the Plant Siting Act. Two hearings are planned for this project—the first being a public hearing on February 17 in Clark County and the second being an evidentiary hearing on March 6 in Frankfort.

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING**

MARCH 11, 2003

REPORT OF THE OFFICERS

Report of the President and Chief Executive Officer

Kentucky Pioneer Energy (KPE) Hearings – Because the overall KPE process is now being governed under a new Kentucky law under the Plant Siting Act, the Plant Siting Board held two hearings with regard to this project—a public hearing was held February 17 in Clark County and an evidentiary hearing was held March 6 in Frankfort. April 15 is the deadline for the Siting Board to make a decision on permitting this plant.

**EAST KENTUCKY POWER COOPERATIVE, INC.
MINUTES OF BOARD MEETING**

April 8, 2003

REPORT OF THE OFFICERS

Report of the President and Chief Executive Officer

Kentucky Pioneer Energy/Global – In response to a question, Mr. Palk said there has been no decision, as yet, on Global.